



South Dakota Municipal Electric Association

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Statement of the South Dakota Municipal Electric Association Regarding:

Western Area Power Administration Pursuit of Regional Transmission Organization Membership

Background

The South Dakota Municipal Electric Association (SDMEA) is a non-profit, non-partisan organization representing 34 member municipal electrics across the state of South Dakota. Many of our members have been lifelong Western customers and have worked cooperatively with Western over the years on transmission planning and upgrade projects. Our members have participated in projects involving upgrades to substations and interconnections when the local utility would see a benefit. Municipal electrics in South Dakota do not own any large transmission lines and rely heavily on Western for access to transmission. Our members appreciate the continual dedication from Western to its core mission in providing beneficiary pays, reliable, low cost-based power.

Who Benefits? and Who Pays?

SDMEA's main concern with Western's pursuit of membership in a Regional Transmission Organization (RTO), is how each of the individual members/customers are going to be affected in regards to power purchases and transmission costs, essentially who benefits and who pays?

Does a benefit still exist and should it be pursued, if the sum of the parts costs less, but some individual parts pay more? The Upper Great Plains region of Western covers a large area and the study completed by Western indicates an overall benefit to the whole, but does not touch on the regional impact to specific areas or member/customer groups, as how they would be affected in the Southwest Power Pool (SPP) RTO. The result could be some areas pay more under the RTO while others pay less or do not see as large of an increase in transmission and power costs as would have been seen if Western did not join an RTO.

If the power and transmission costs to South Dakota municipal electric members are going to increase specifically because of Western's membership in the SPP RTO, then what benefit are the South Dakota customers/members seeing? In Western's pursuit of membership in the SPP RTO, Western needs to maintain communication with its members and provide more regionalized information on how the transition to an RTO will affect the membership at a localized level.

Does RTO Membership Benefits Outweigh Increased Fees and Other Costs to Members?

Western's study leads one to believe that the overall benefits of joining an RTO offset the additional fees and other costs Western customers will have to pay because of the transition to an RTO. In Western's pursuit of RTO membership, the benefits and costs to members need to be identified further and in more detail than what was presented in the study completed by Western.

Western's own study indicates, "Much of the overall benefit to SPP is derived from the ability to cost share upcoming IS transmission expansion projects, the planned West and East 345-kv loops in

North Dakota.”¹ If most of the benefit from the join SPP option is the transmission expansion cost sharing, what happens if the SPP does not agree to cost share as much of the projects as Western projected? Is the main reason for joining an RTO, cost sharing of the transmission expansion projects, in line with Western’s core mission of beneficiary pays and providing low cost-based power?

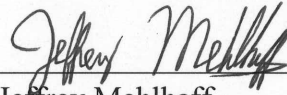
Western’s study points to several fees and other costs Western members will likely have to pay. A SPP administrative fee of \$0.38/MWh, FERC fee of \$0.06/MWh and Western internal cost of \$0.08/MWh². In addition to these administrative fees, the change from a “postage stamp” to a “license plate” pricing methodology could benefit some members, while costing other members more in transmission costs. Without any detailed information from Western, it is unknown how individual Western customers or regions are affected.

Conclusion

The SDMEA appreciates the opportunity to provide comments in response to Western’s pursuit of membership within an RTO.

Respectfully submitted,

SOUTH DAKOTA MUNICIPAL
ELECTRIC ASSOCIATION



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¹ WAPA – Alternative Operations Study Summary, pg.3

² WAPA – Alternative Operations Study Recommendation, pg. 17-18.